Praj Industries Limited
Q1 FY22 Earnings Conference Call
August 12, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Praj Industries Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. of Sandip Bhadkamkar from Praj Industries. Thank you and over to you, sir.

Sandip Bhadkamkar: Good day everyone. We welcome you to this conference call organized to discuss Praj Industries' Operating Performance and Financial Results for Q1 FY22 which were announced yesterday. I have with me Mr. Shishir Joshipura – CEO & MD and Mr. Sachin Raole – CFO and Director, Finance and Commercial on this call.

Before we begin, I would like to mention that some of the statements made into today's discussion maybe forward looking in nature and may involve certain risks and uncertainties, Documents relating to our financial performance were e-mailed to you. These documents along with our quarterly results presentation have also been posted on our corporate website.

I would like to handover the floor to Mr. Shishir Joshipura for his opening remarks.

Shishir Joshipura: Good morning ladies and gentlemen, I welcome you to Praj Industries' Earning Call for Q1 FY22. Trust all of you had the opportunity to go through our results presentation for the quarter ended 30th June, 2021. It is once again a pleasure to connect with all of you. I hope that you and your families are keeping safe and healthy. I do hope that most of you have already secured both doses of vaccine.

Let me now briefly take you all through the quarterly business highlights and industry developments, following which Sachin will take you through the financials.

At the outset I would like to draw your attention to the important development concerning environment. The Inter-Governmental Panel for Climate Change released sixth assessment report earlier this week. Report revealed that climate change strategy submitted by nations during Paris summit are not adequate to contain global temperature rise within 2° limit and that we have failed to even reach anywhere near our committed curb on emissions. The life as usual scenario is foretelling a completely compromised future before the end of the century. The report precipitates urgency to decarbonize the environment by deploying technology in our daily lives that reduces the carbon intensity of our actions across all spectrums of human activity. The zero-carbon future demands an immediate action from all of us. We all know that bio-fuels have an important role to play in decarbonizing of transport sector.

Let me now walk you through the business updates:

On the Bioenergy front advancement of 20% EBP program to 2025 signals India's commitment to a long-term sustainable decarbonization agenda by driving transition to a renewable and cleaner energy source. In the ethanol supply year 2021, our national target is to improve ethanol blending to nearly 8.5%. This represents an increase by nearly 150 crore liters in ethanol volume over the last year. The sugar state will exceed 10% blending in the ESY 2021. State governments too have realized the potential of ethanol and have announced several measures to attract investments in setting up ethanol capacities. The path to EBP 20 clearly demands a 2.5X additional volume for blending over the next 4 to 5 years. This will call for creation of capacities for ethanol production. This means we have to create additional capacity of 1000 crore liter per year of ethanol. Several systemic changes in the ecosystem are in the offering - Entry of Flex fuel vehicles, E100 vehicles, differentiated blends and the pumps to name a few - all positive for driving demand for ethanol and a sustainable carbon-free future. Pilot project of E100 ethanol dispensing station at three locations in city of Pune was recently launched for the production and distribution of ethanol.

On business front, the first quarter posed its own challenge in terms of a strong second wave of infection, under vaccinated population and availability of labor force. As the saying goes when things get tough, the tough get going. We have delivered positive and encouraging results in this period. This is a reflection of transformation of our promise to performance.

On the operational front, adhering to all safety norms at our sites, factories and R&D facilities which are now fully functional even as work from home becomes part of the norm for office-based employees. We continue to witness healthy traction in enquiries for the Bioenergy, Pharma, and Engineering segments during the quarter with the sole exception of Brewery segment.

Our Bioenergy business has delivered a strong performance with a healthy order book. We are seeing development of robust enquiries and leads across different feedstocks in the domestic market. Strong demand in the market can be gauged from the fact that this quarter alone saw ordering of about 135 crore liters of ethanol capacity which is more than 90% of the order capacity in the whole of FY2021. We also decided to be prudent in opportunity selection, given an exponential rise in number of enquiries, giving due consideration to complexity, completion timelines and cause to serve. Praj continues to maintain a strong leadership position in market share of more than 60%.

On the international front; the business is now showing signs of recovery post the pandemic demand slump. We have started receiving orders from different geographies and more opportunities are under discussion. Americas market specifically Canada is showing us a lot of promise on the back of the positive ethanol bending policy development. Brazil is also showing sign of returning to normalcy over the next 6 months. The ethanol market is likely to pick up with the second half of FY22 and with the help of our local partner Dedini, we expect to make inroads into important Brazilian market.

On the 2G front execution of the first three plants in the country is on course. We expect to start commissioning of the first plant in Q3 of CY 22. On the CBG front, on the occasion of the World Biofuels Day earlier this week. Honorable Chief Minister of UP inaugurated the CBG plant of M/s Indian Potash Limited. The plant has been commissioned is now being scaled up. This is the first plant in the country that will process 200 tons per day of press mud to produce compressed biogas. This plant is part of nation’s first of its kind integrated bioenergy complex which when fully commissioned will produce ethanol, biogas, biofertilizer and other byproducts.

As for Engineering and PHS businesses we are witnessing healthy trends in business opportunity development and expect this momentum to strengthen in the quarters ahead. On the Zero Liquid Discharge business, we are on course with execution of IOCL project in Dumad, Gujarat. With rising awareness about minimizing water footprint coupled with stringent security norms for affluent treatment, we are receiving increasing number of inquiries for our ZLD solutions.

On the CPES front, our strategy of F15 focus is beginning to pay dividends. I'm pleased to share that we are building an Isobutanol to sustainable aviation fuel module for the demo plant of our partner Gevo for the USA market. Gevo has already announced setting up a very large-scale commercial plant in the United States and we are in discussion with them to offer our scaling up services for the same. We are currently working with US-based customers to build modular system for one of the largest hydrogen plants in the world. We continue to focus on strengthening our relationship with clean tech and green tech companies for delivering modular plant solutions.

On the Brewery front; although there has been some improvement. a marginal improvement on the demand side, outlook continues to be weak as the market will still take some time to reach to pre-COVID levels of demand cycles. Across the PHS business we delivered strong performance in the entire complex injectables and vaccine space. We are partnering with leading Indian pharma companies for fermentation-based solutions. This quarter we won a significant order from one of the multinationals in United States for their molecular cell technology plant coming up in India. Overall, there is robust enquiry pipeline that is resulting in sustained momentum in order wins and our order book is continually building, positively providing sustainability and visibility to our business.

As we look ahead, we are seeing thrust coming in both from domestic and international markets. Increasing vaccination coverage, improving economic indicators and supporting macros such as good monsoons and better agri indicators will provide further fillip to the recovery. We have geared up to meet challenges of increased volume and customer expectations. We are investing in modernization of our shop floors, increasing resources for engineering and technology development and enhancing site support infrastructure and while increasing our vendor base.

Having said this, the business environment is not devoid of any challenges. Continuously rising commodity prices are a matter of great concern as it impacts overall business performance. International travel restrictions combined with uncertainties in supply chain and resource availability will pose a strong test for the business.

I'm extremely pleased and proud to share that our chairman Dr. Pramod Chaudhari has been inducted on the advisory board of the Europe headquartered World Bio-economy Forum. This is the first time India has secured such position, signaling her rising prowess in global bio-economics.

Before I end, I'm delighted to share that Asia One magazine has announced that Praj Industry Limited as world's greatest brand for 2020-21 and Dr. Pramod Chaudhari is conferred as the Global Indian of the Year 2021. We remain confident that our customer centric approach combined with our technological prowess and robust execution capabilities will help us further capitalize growth opportunities.

With this I now handover to Sachin for his comments on the financial performance. Thank you.

Sachin Raole: Thank you Shishir. The consolidated income from operations stood at Rs. 386.26 crore in Q1 FY22 as compared to Rs. 129.55 crore in Q1 FY21. PBT for the quarter stood at Rs. 29.8 crore as compared to loss of Rs. 14.52 crore in the corresponding period of last year and profit after tax stood at Rs. 22.2 crore in Q1 FY22 as compared to a loss of Rs. 10.5 crore in Q1 FY21. Export revenues accounted for 25% of Q1 FY22. Of the total revenue 72% is from bioenergy, 17% is from engineering and 12% is from PHS business. The order intake during the quarter was Rs. 661 crore with 75% from domestic market. Of the total order intake 77.5% came from bioenergy, 12% came from engineering and balanced 10.6% from PHS business. The order backlog as of 30th June, 2021 is at Rs. 2023 crore comprising of 83% of domestic orders. Cash in hand as on June '21 is Rs. 525 crore.

Yesterday in the AGM, members of the company have approved the dividend of Rs. 2.16 per share. Some comments on the components of the profit and loss account; the contribution margin shows the drop of 7.6% as compared to Q1 FY20. The revenue has a mix of sale of equipment and project activities. The expenses related to project activities are forming part of other expenses and in comparison, to Q1 FY20 there is a saving of 10%. The unprecedented increase in the commodity prices has impacted the contribution margin to the extent of 2% of the revenue. As regard the employee cost, as compared to Q1 FY21 absolute employee cost has gone up by 8 crore. The reason being, last year there was salary reduction in the first three quarters and in Q4 FY21 salary was restored and provision for various variable pay for all employees was provided. The impact of entire year's variable pay was taken in Q4 of last year. In Q1 FY22 they' are provided for variable pay for the current year and the impact of salary revision is not there as the cycle for salary revision is July to June. Major component of other expenses is the cost related to project sites and during this quarter there was heightened activity on the projects and that is the reason for increase in absolute terms in other expenses.

Before I conclude, I would like to clarify one of the issues regarding the Promoter shareholding in the company. We noticed that on some social platform it has been repeatedly mentioned that Promoters have decreased their shareholding in June quarter. Let me clarify; as a part of talent management program, the company has a robust ESOP system. Over a period of last 5 years because of the ESOP exercise by the employees, the overall capital base has moved from 17.74 crore shares to 18.35 crore shares. This has resulted into percentage wise relative reduction of promoter shareholding from 33.98% to 32.86%. Their shareholding in number of shares has remained unchanged at 6.03 crore shares and the Promoters have not diluted their shareholding. Let me repeat that Promoter's holding is unchanged and they are not reduced their holding in the company.

I know conclude my remarks and I would like to thank you all for joining us on this call. If you have any questions or comments or suggestions, please you can forward that to us. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prathamesh Sawant from Axis securities.

Prathamesh Sawant: My question is regarding executions. In the CBG business lately Ministry of Petroleum and Natural Gas has initiated the SATAT initiative. So, they have signed like 1,500 MoUs and which are worth like Rs. 30,000 crore. So, assuming at least 30% of this thing is coming to Praj which is a very conservative assumption given our technological prowess. That accounts for roughly Rs. 9,000 crore of business for the next 3 to 5 years and clubbing it with the Rs. 8,000 to 9,000 crore of the ethanol business over the next 3 to 4 years, I want to understand how is our company ready to handle this kind of a monumental demand? What kind of capacities do we have to handle this kind of demand in the near future of like 3 to 4 years? So, are we doing any CAPEX or planning or employee increase or something like that?

Shishir Joshipura: So, Prathamesh that's a great question and thank you for that. Yes, SATAT is a very-very ambitious program, first of its kind in the world. The first requirement, as you know that India is not a gas-based economy. We are a liquid fuel-based economy and there's a very conscious effort to improve the share of gas in our overall energy mix at the country level. SATAT initiative is part of that program. Now here therefore what needs to happen is that we need to understand that the whole ecosystem and that start from feedstock all the way to distribution and metering and monitoring of gas and in between production, will have to be established as a model first. Once a model is established and tested then one can start replicating that model. You would have probably noticed that yesterday, on the World Biofuel Day on 10th the honorable Chief Minister of Uttar Pradesh actually inaugurated the first press mud to CBG plant which has been set up by us at Indian Potash Limited in Muzaffarnagar. The plant has been commissioned by us and it is under scaling up, status just now. As I speak with you, so there has to be a gas dispensing station that gets organized around date. The vehicles have to be there. So, the whole ecosystem is gradually developing. This was also used as a test case to understand where all there could be possible hindrances and how we can overcome them in the overall ecosystem. I think the lessons that have been learned in IPL and many of them have been implemented already will help to define the future ecosystem, component development in the rest of the country.

We are also building another plant in South of India which will get commissioned somewhere in October and then one more in February for Hindustan Petroleum which is based on rice straw. And then towards the end of the year we will also commission one more plant near Pune which will be based on spent wash. So, press mud, spent wash and dry straw are the three key feedstocks on which we expect 90% of this potential that you mentioned to be established. We have led the market by actually establishing the first plant starting production there and helping establish the ecosystem. As we move through the year, we will see strengthening of this ecosystem and as we go forward, we would be in a position to move the market to its natural potential, as I would put it. In terms of preparedness at our end, as you rightly put it, we have an absolute state of that technology which is significantly better than anything else that is available in the market. We expect that will help us make deeper inroads into the share of business as business starts to unfold. We are very positive and as things stand now as whole ecosystem starts to develop and you have seen some policies around that as well, where CBG networks are now being asked to blend the gas inside their pipeline systems, the LOI system of the three OMC. The OMCs themselves taking lead in setting up the plant. These are initial steps for a very nascent and a new system which is nowhere in the world. But I'm very sure that as we go through, the next 24 months we'll start to see a very different market opened up for CBG and we are very well prepared for it.

Prathamesh Sawant: Do we have the capacity to handle 400 to 500 projects in a span of 3 to 4 years?

Shishir Joshipura: Yes. That is not a problem for us. We will make sure that we build our capacities and capabilities both in line with the market as it unfolds.

Prathamesh Sawant: My second question is regarding our margin profile across these three business verticals, as in Bioenergy, Engineering and HiPurity.

Sachin Raole: Generally, we don't give the margins for the businesses independently.

Moderator: The next question is from the line of Ankit Gupta from Alchemy Capital.

Ankit Gupta: My question is regarding the gross margins, you explained that there was a product mix change at equipment and project. Can you just explain thar part a bit more? Secondly, I also want to know that most of our other projects are fixed price in nature or are there the projects of passing on the raw material inflation?

Sachin Raole: So, let me take your second question first. Most of our contracts are fixed price contracts. There is no technically a passing on mechanism in the contracts but what we are doing right now to take care of the pressure which is coming up because of the commodity prices, we are narrowing the window from the enquiry cycle to the order finalization cycle which is anyway getting narrowed down in any case. We are keeping the prices open for a very specific period of time with a provision for the escalation if there is any delay in this order finalization. The first level of a movement in the raw material prices is getting covered in that process. We are taking care of by managing the enquiry cycle to the order booking cycle. Post order booking we are taking measures based on the requirement of the raw material, some advanced procurement program, the different mechanism of aggregation of the raw material. So, we are working on multiple fronts to see to it that the impact of the increasing raw material prices gets reduced on our margin.

To give an explanation to your first question the revenue, what is getting reported as per the CB format, it has the revenue component of all. I mean in the sense the equipments which we are supplying, the project activity which we are doing. But in the cost of material, we only see the cost of raw material which is getting captured. The project related activity cost is getting captured in the other expenses which is basically site expenses, labor costs and all. If you combine this together and look at the price which will be the right way of looking at it then there will be an impact of almost 1.5% to 2% kind of an impact on our gross margins and which is mainly coming up in this first quarter on account of material prices which have moved completely against us and mainly on the carry forward order book which we are having of the earlier orders maybe of last September order book or the December order book.

Ankit Gupta: For the current order book of around Rs. 2,000 crore, how much will be these legacy orders which will have some impact in the future also?

Sachin Raole: We started this year with what 1,748 crore of order book. So, it will have some component of last year's earlier quarters order book which might be sitting in this but we had tried to take care of the movement of prices till at least December at this point of time.

Ankit Gupta: Our order inflow was around Rs. 660 crore which is very good in this quarter. Can you give some color in out of which field how much are the orders, which areas, some understanding to just understand what are the order intake?

Sachin Raole: Basically, you are asking the order intake in the form of bioenergy and engineering kind of thing?

Ankit Gupta: Yes.

Sachin Raole: Around Rs. 500 crore is from the Bioenergy, Rs. 100 crore is from the Engineering business and Rs. 61 crore from the HiPurity business.

Ankit Gupta: Out of bioenergy can you give us detail of grain-based and sugar-based plants?

Sachin Raole: I will have to get back to you, maybe you can write to me and I will answer that question because right now I'm not having that handy information.

Moderator: The next question is from the line of Amish Kanani from JM financial.

Amish Kanani: The question is as we prepare for a 2G technology. My question is we are leader in 2G versus 1G. If you can give us some sense of as a leader, what are we doing to convert the market from 1G to 2G, if at all and what are the premiums that a customer has to pay to buy a 2G technology versus 1G and whether there is a traction given the premium and what are the kind of IRRs that a customer is making when he is choosing your 2G technology.

Shishir Joshipura: Let me start by saying that we are leaders in both 1G and 2G and not in only 2G.

Amish Kanani: The idea was the competition is less in 2G, that was the reference.

Shishir Joshipura: Yes, it's different. There's competition is different kinds. Also, 2G, it's not that we expect our 1G customers to convert to 2G, it is not like that, it is a very different feedstock that we use for a second-generation ethanol and second-generation ethanol is increasingly going to find more and more space specially at the back of, if you would recall my comments that I made the beginning of my initial opening remarks where I said that we have to do something for the climate change. Continuing as usual is not an option and that fundamentally means that we have to keep moving towards low carbon intensity, low GHG footprint technologies. That's where 2G scores above 1G. That's one area where 2G definitely scores above 1G, because of the fact that it uses the agriculture residue as a feedstock. So, from that perspective 2G is going find a lot more favor. 2G we are also going to see a traction buildup and that's where we have two platforms; one for the agricultural residues and second is for the forest residues part of it. Because there are parts in the world which are not agrarian economies but which are very rich in forest. We have both the technology platforms available which we will take forward in time to come. And we are working very closely. There are regulations related issues, there are regulatory environment changes that are required. Europe is an example, for example we clearly see a move happening towards moving to a second-generation ethanol as we move forward in the future. The three plants that we are commissioning in India already and also because people are because this is so new globally this is a new thing. And therefore, there's a lot of attention that the world is focusing on saying, let us see one plant commissioned at commercial scale and then probably we will start to think of scaling up. So, different set of challenges to overcome in 2G but we are working continuously at it in terms of enhancing the viability of the 2G technology, development of co-products which could further add value to the customer both in terms of improving the project viability but also in terms of improving return on the capital that they employ. We have tied up with a company called Sekab in Sweden to address and actually develop the technology that they had initially developed and develop at the commercial level for the forest residue part of the market. Whole host of actions right now underway which we believe will help us to establish 2G as we move into mid-term future.

Amish Kanani: Second question is, we have seen significant improvement in the ranking in last four to six quarters in general, in the Biofuel Digest, this quarter we have AsiaOne magazine, we have World Bio Forum which is facilitating, inducting our promoter on the advisory board. The question is what all that we have done in last say maybe 1.5-2 years which is resulting in this kind of accolades. Is it coming mainly from the new technology initiatives that we are just doing which at an R&D pilot stage or it's something different in the sense and how much of that is macro top-down India's initiative that we are taking at a global stage versus how much is Praj which of course would have been the major contribution in terms of reaching this stage? Is it resulting in a significant pipeline of inquiries on an export market?

Shishir Joshipura: So, Amish first and foremost it's not an outcome of 2 years of work. I can very easily tell you that this is a work of lots of people, a vision that has endured the test of time, resilience of the company over the last 37 years. We have, sort of, got baked in the sun if I can use that word over different periods of time and come to this stage. The vision that and the commitment and the passion of the founders, the real commitment of people, the focus on technology development. I think lot of these elements, nothing of this happens in 2 years, nothing. This takes decades to build. I think that's what is now and of course there's one fine day it does have to come out and show itself on the worst stage and that's probably what you are seeing now. There's also much more heightened what I would call as awareness today in the world about the need to use cleaner form of energy where ethanol has a very big role to play, where Praj’s prowess is absolutely undisputed. All the work that we have been doing over the years and decades is what is now coming to fruition. Of course, our foray into the second-generation technology, the three plants that we have built. By the way from my understanding today Praj is the only company that is building three plants for second generation technology for somebody else. Lot of our competition is building plant for themselves but we are doing it for somebody else and that's a huge plus in our favor because others have trusted us to build the plant for them. Look at second generation technology, look at the whole metrics, our R&D setup that we have and the kind of technological development work which happens in that day in and day out and over the last 10 years-12 years on that. So, I think it's an amalgamation of several factors that are leading to this kind of thing and of course the world is also now much more conscious about the Green energy and we have been saying that for a long time. You say something for a long time and now somebody wakes up saying oh! you have been saying this for a long time. Maybe we needed to wake up earlier kind of a situation. That is what is leading to this and what is really helping us and people have recognized that some of the solutions that we put out in the field are absolutely best in class. We compete with the best in the world. In fact, in several markets, we are as good as anybody in the world; maybe benchmark also in some areas. 8%, nearly 8% of the world ethanol production happens from our technology. I think all of this has happened over period of time and that is what is getting recognized. Also, the fact that Dr. Chaudhari who is our founder has really put his entire being into making this into a cause and not only a business. I think that is where things have started to change because when he speaks, he speaks from immense amount of knowledge, understanding and vision and that not many people can do that. I think that all is coming to get recognized now.

Amish Kanani: Any numbers in terms of export pipeline of inquiry? Is it changed or will it change or some flavor or sense there?

Shishir Joshipura: As I was mentioning that we have seen, so the markets that we serve specially South America, South East Asia, Africa. Africa not to the same extent as other two have taken a slightly longer time than say India as to emerge from the shadows and impacts of the pandemic. We are beginning to see that now as mentioning that we expected Brazil to be normalized over the next 6 months, we are seeing Canada moving with the policy of a blending program, Europe moving in a policy direction to notify a second-generation ethanol over the next 10 years. There are several different regions have different policies that are being brought about. I think those are critical to driving growth in those markets. We are very much tuned to those developments. We are very close; our ear is very close to the ground in terms of what is required to be done and we are taking those steps. Overall, plus that is on the ethanol side of the business. There are other businesses of ours also which are very focused on export. I have mentioned CPES business where we are building the plant for Gevo. That is almost entirely export focused. And they are also building inroads with companies that are wanting to put up these clean-tech green-tech plants but don't have the wherewithal. So, they have the wherewithal to design and engineer it and manufacture it for them so they are doing that. Our PHS business is going to serve markets where there is a new found; shall I say consciousness across the world on local production for critical drugs. I think that is what is leading to capacity formation in several markets which hitherto was not very attractive but are becoming attractive. So, different drivers for different businesses. But we are very sure that as we move forward through the time, we will see a healthy development on the export side of the business as well.

Moderator: The next question is from the line of Levin Shah from Value Quest.

Levin Shah: My question pertains to order book. So, like what you said in your opening remarks as well that this first quarter we have seen around like 140 to 150 crore liters of capacities which have been announced. Now if you look at the kind of order inflow that we have received it is much lower than the kind of actual CAPEX that is announced. Where is the disconnect if you can help in explaining that?

Shishir Joshipura: No, there is no disconnect. First of all, 145 crore is the number for the entire year last year, 134 crore is the number for this quarter. Just clarifying the numbers. Now the capacities can come in different ways right. Somebody can define a Greenfield project and you can also define a Brownfield project and both will have different levels of investments per liter of ethanol capacity that gets added right. Also, within the setup what is it that is constituting the cost for some maybe land cost gets a very, what I would call as a definitive dimension to add to the cost whereas if its lease is different cup of tea. So, the capital cost of the project construct can be very different. In terms of market share, as I mentioned we continue to be at about 60% and there about so there is no change on that. Although we have decided to be prudent in anticipating and accepting orders where we do take in consideration the complexity, the cost to serve, our ability to confirm it, the timelines that customers may want. So, different dimensions that go onto decision-making but otherwise there is no change at all.

Levin Shah: When I do a rough calculation that shows that around Rs. 1,400-1,500 crore worth opportunity of the target size for us from these orders is what the target market should be. Whereas we have received orders worth Rs. 500 crore during this quarter?

Shishir Joshipura: We don't necessarily do the whole thing for customer right. I mean there are very few customers who say I have got a piece of land, please do everything. That kind of exercise doesn't exist. An existing company is expanding, they already have the wherewith; they understand what is required to be done. It could be common wall expansion, there are different dimensions. They may not go ahead and order everything on board. They said no I know what cooling tower to buy. You don't have to buy from me. Some new customers who do not have, who are putting it for the first time would probably expect more from us. Those who are putting it on a repetitive basis, they probably have a lot more. So, the scope of work that gets awarded gets changed. Also, there has been on Brownfield versus Greenfield. There are many dimensions that come into play. I don't think we can read it directly saying 1,400 crore order was there, you took 500, where is the other? There is no other part. The other is not the plant itself, is something else.

Levin Shah: During this quarter because of the second wave, have you seen some spillover or postponement that may happen in the quarters going forward or that's not the case for order booking?

Shishir Joshipura: What's your question? Could you just please repeat it for me?

Levin Shah: I was just asking that whether due to this second wave of COVID which hit during this quarter, will we see some spillover of orders in the next quarter per se?

Shishir Joshipura: Yes. As I said we expect this momentum to be continued for quite some time now and right through the year. We do not foresee a slowing down of order book at all. The COVID related impacts are there in terms of (a) we do hope that sooner than later the international travel gets restored because that is limiting our ability to reach out to our customers, not severely but definitely hampered. In terms of execution, yes it does pose a challenge, supply chain may get disrupted etc. and this time we all know that the second wave was very strong and much closer to most of us. From those perspectives I think yes it does have an impact but in this order book we don't foresee a problem at all.

Levin Shah: My second question is on the margins front. Firstly, I would just like to congratulate that even in these tough times we have been able to do a good margin. Now if you see going forward like what Sachin sir also explained that the way to look at the margins is that even taking into account the other expenses portion. Currently we are at around 19%-20%. Where do we see this number for full year and maybe going forward? Any ballpark indication where this number should be?

Sachin Raole: I would love to give the answer to this question but generally we don't give any forecast. I can only tell you that our endeavor is to keep on improving on the margins and take the advantage of leverage which is available on the basis of volume growth which is happening. Yes, despite the challenges which were mentioned by Shishir earlier, our endeavor is naturally going to keep on improving our margins. That's what I can tell you.

Levin Shah: If we see these other expenses as a percentage of sales definitely, we have come down a much lower than where we were historically. So, is this improvement going to continue with the increased sales that we may have in the following quarters?

Sachin Raole: Component of both costs. Let me clarify. One is the fixed cost and another one is variable. For example, our traveling is sitting in other expenses. Now the domestic traveling it has already started to a great extent but naturally international travel is not at all factored there. Going forward as Shishir was mentioning in H2 we will see movement happening in international side also. Then some of the expenses will start getting triggered but not necessarily all. That is what I was mentioning about the leveraging which is possible where on the some kind of a curtailed kind of a expenses, we will be in a position to have higher turnover.

Shishir Joshipura: And we have always maintained that our resources we have to build anticipating the growth in our business and that’s been the strategy of the company because there is no one like us in India and therefore we can’t just go and poach some resources from somewhere. We have to develop and retain our resources over a period of time or different business cycles. I think that strategy of that we have continuously kept these resources engaged gainfully as well as develop them, is coming handy now because now as the volumes starts to grow up, we will be able to leverage what we have built already. I think that also should help you to understand the context of Sachin’s answer.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Firstly, what are the key risks to our execution, to the business we are catering to? What are the key risks that are there and what steps are we taking for mitigating that?

Shishir Joshipura: Saket that's a great question. Very clearly, we have to ensure that and since you asked question around execution and I am taking the execution means the orders that we already have in hand. If we look at the cycle from orders that you are already in, very clearly (a) is the management of resources in a very efficient manner. So, we may have to induct some resources, we have to train resources, we have to automate our processes, we have to look at our capacities within our own boundaries, create them outside or inside, decide that decision. I think those are the set of decisions that we have to take. Therefore, any risk that get associated with any of those actions is very clearly visible. That is something that we have to mitigate. The supply chain disruptions on account of an unforeseen event say for example touch wood I don't think that should happen but touch wood there is a third wave. We cannot predict right now what kind of disruption will happen. We can anticipate and then build ourselves to say all right, I will ride out a 1-2-month disruption and I will prepare myself whether it is on the raw material side, whether it's on the vendor's side. So, we are doing several steps. We are diversifying our vendor base; we have taking closer to our customers. We have tied up some long-term contracts. I think Sachin mentioned about aggregation of buying as against project-based buying, using modern tools of reverse auction, e-bidding, a new vendor enlistment. There are different steps that we are taking on the supply chain side to make it more robust and less risky if I can use that word. That's one dimension. Fortunately, we do not foresee a risk at all on the side of cash because we are a well-managed company, our balance sheet is very healthy and we do not have a problem on the cash side.

On the people side, I am very happy to share with you that we have launched a very focused program to vaccinate all our people including all blue-collar workers that walk into our factories in R&D center every day. I am very happy to share with you that today 91% of our population is vaccinated. And I am sure that other men will also come in, they are not there for different reasons but they will all walk in as well. So, very focused program on vaccination. We are taking every possible step to ensure that (a) our work is not disrupted. If there's a disruption, we are prepared for it and it is kept to a minimum and look at every single element in its entirety and define the mitigation measures there. Having said there are things that I can't control. For example, if there's and we were just talking earlier about it, the runaway rise in commodity costs. That’s the risk that is external to us. We can only define a response to that but we can’t control the risk itself because that will happen on its own. So, commodity price rise is one dimension. Right now, even the availability of speed is becoming an issue but we have managed that through long-term contracts and association that we have with our suppliers but there's a problem. The steel supplies that used to be in 6 weeks is now gone to almost 4 months. We are looking at an extended cycle of availability on components. We have to take care of that. Availability of labor at site has become a problem because, if because of the pandemic related migrations that took place, there is an imbalance in the workforce at site. How do we manage that? For that also we have empaneled a whole host of new vendors and contractors with whom we are working now. We are training them to address the issues at site. So, on-site, within our premises, outside our premises, our supply chain, our delivery chain we are looking at every single dimension to define a risk plan and find a mitigation plan as well.

Saket Kapoor: When you say that 8% of the global market share of ethanol business is from Praj, who are the other players globally which whom we can benchmark and understand the valuation part?

Shishir Joshipura: What I said was that 8% of the global ethanol production is today done using Praj's technology. That's the word that I used. Of course, in each market there are competition for us. If you go to United States there are competition, there you go to Europe, there's a different set of companies even go to South East Asia, there's a different set of companies. When we go to South America there's a different set of company because each market has evolved to its own model of doing this. Brazil is very different for example than North America is very different from South East Asia but at the same time we have also established ourselves into those market over a period of time. We have created references which are absolutely global class. There are countries in which we have 100% share of business. For example, every single plant is built by us for example, Colombia. So, we have used our own position, our own strategic steps to ensure that we are able stand and compete. And please appreciate the fact that today and when I say this the only market that exclude from this that you no idea about it is China because we don't know much about that market. We know that there are two state-owned corporations which actually do most of the production there but that's a different story. But other than that, Brazil we are about to enter as I was mentioning earlier as well. So, there are different steps for different markets. We compete with absolutely global class companies and we have been against them. We are able to stand on our own feet because of the fact that we have our own technology, our own R&D, our own prowess, our own experience with which we can go to customers and present. So, that's what is helping us.

Saket Kapoor: Last point I have is regarding you spoke about 90% of what the annual requirement was for this ethanol plants have come up in the first quarter. Where are the geographies and who are the key players who are interested in setting up these facilities? If you could give some basic understanding where are these capacities coming up and there must be the alcohol and liquor players that are now coming up with grains as you have earlier told that maximum two-third would be from grain based only?

Shishir Joshipura: As I was mentioning the grain movement we expect to start now more or less. I mean there are some orders from the grain that also we have received but more or less the grain movement is beginning now. Lot of capacities that I talked about is still being built around sugar and there are some big names in sugar who are our customers now who are expanding their capacities both at Greenfield level and Brownfield level.

Saket Kapoor: Can you give the breakup for this 90% which you spoke the 1,200 liters if I am correctly. If you could us the break-up?

Shishir Joshipura: No what I said was that if you take the last financial year, in the whole financial year 145 crore liters worth of capacity was contracted for. Now in one quarter of this year 90% of that got contracted additionally, about 133 crore that got contracted for in the first quarter of this year. A lot of it is about is based on sugar feed stock, some grain as well but we expect the grain movement to pick up as we move forward.

Saket Kapoor: Can you give the breakup, 133 the sugar belt, how much is from the Northern part and there were South-West companies have also participated. If you could give some color?

Shishir Joshipura: Very roughly 60%-65% on sugar and the balance on grain.

Saket Kapoor: But further granular from the sugar part how much is North India and other part of the country?

Shishir Joshipura: No, I don't have that; I mean we have that information inside us but right now we don't have in front of me so I'll send it to separately if you write to us.

Moderator: The next question is from the line of Sandip Sabharwal from asksandipsabharwal.com.

Sandip Sabharwal: My question is on margins because I think no one is concerned about your growth trajectory. Everyone knows that you're on a strong growth path. This is the best macro in the last 25 years. I started tracking your company in 1999 when I first met Mr. Chaudhari. My point is that at one point of time you used to have operating margins of 20%, in the first quarter like let's say extended and etc. everything was there but still we are below 10. Do you think that you have an aspiration at some stage to going back there because there was also program where the company many years back had external consultant team to margins etc? So, when the orders are shown March and you can actually pick and choose but the margin profile actually should be increasing substantially at least because shareholders returns will be made on profits not turnover.

Shishir Joshipura: What you're saying is very varied observation. I think we have as I said that we have become pretty prudent in saying in deciding some credit as of for accepting a job whether in sense of complexity of the job our ability to finish it in the timeline that is required, the cost to serve the customer. Many of those dimensions we are bringing in which probably would not there so much in the earlier days when the opportunity was limited that's not the case now, so we are providing some of those filters. There's also a fact that as I was mentioning earlier that the international part of our business is something which is right now not at the same pace that we would like it to be picking up pace but not to the same pace where we want it to be for the simple fact that there are too many restrictions right now on the international travel and to be our ability to be in front of customers. We have found some solutions but obviously they are not exactly what we want them to be that's the second part.

In terms of moving the margins I think over a period of time the markets also have changed substantially. So, it's not only my ability to get the margin which is of course very important and as you know we have always believed that we should leverage technological developments for creating higher value for our customers. I am sure that customers do not mind sharing part of that value with us. That is how our value gets created for our shareholders. Having said that I think there are also other forces in terms of what's the intensity of competition, what's the size of opportunity, what are the other dynamics that are driving the market space, the existing relationships, the existing references, several dimensions come into play and I think what you see is the mix of all of that the commodity prices that have really has an away last 6 to 9 months which we all know. But we do hope that probably we will not see a similar level of highs again on the commodity price that is that the hope that we have and the dialogue that we've been having. We have to see how the overall ecosystem develops which will help us to obviously management is also very focused on ensuring that all stakeholders aspirations and expectations are met in the most balanced fashion.

Moderator: The next question is from the line of Manish Jain from Moneylife Advisory Services.

Manish Jain: Which stream of business seems most promising to you currently and seems to offer long-term growth for the company?

Shishir Joshipura: As you know that we have always maintained that yes Bio-Energy is core of our offerings and right now we all know that there's absolute boost to the program in the domestic market for creation of ethanol capacity and we've talked enough about it. But we strongly believe that Praj is a string that's built of course and each of these pearls has his own story took the Zero Liquid Discharge business that I talked about the HiPurity business that we discussed. In time to come and we have to invest into these businesses. Some of these are in developmental phase, some of these are in maturity phase so it's not fair for me to compare thing, let me startup business of sorts like the CBG and I compare it to our 1G ethanol business that's not fair comparison. But what we are doing is, we are systematically and strategically investing to businesses so that as we move through the timeline, they're also able to grow our businesses to different phases of the economic cause so that we are able to drive overall growth of the company. I would not say right now the only business around which as I already mentioned because of externalities in the situation the brewery business is only business ours where I am not able to give a prediction saying okay except to say that 'okay' we don't see too much of opportunities arising in that business for the next 12 months. Other than that, for every other business of ours we are very confident that we are in the right spot and we're moving in the right direction.

Manish Jain: The second question is who are the competitors under the HiPurity segment? And how are we looking to increase the revenue contribution from this segment going forward in the tailwinds from the injectable and vaccine space?

Shishir Joshipura: So, again, there it's highly specialized segment so depending on the solution form that, so there are it's a simple water treatment. Then there are companies who compete with them but then as we said that we are also moving to fermentation-based solutions where we also be competing with several multinationals. We are very confident that our deep understanding of fermentation and processes within the parent organization will help them to actually move forward. So, we are very confident that combination of Ultra High-Purity water combined with our fermentation and the process system knowledge, we'll be able to create a unique proposition to our customers. We are already beginning to see some acceptance of this idea from customers because they can see value coming to them. As we move forward, we see that developing very positively.

Manish Jain: Can you name any peers or competitors?

Shishir Joshipura: There are quite a few on the water side. We can answer it to you. We can send it to you the names that's not a problem at all. We will be able to send you across to you.

Moderator: The next question is from the line of Deepesh Agarwal from UTI Mutual Fund.

Deepesh Agarwal: My first question is, have you taken a decision on the business model in RPM? Would you be transitioning to a chemical manufacture yourself or would be just telling a process know how and how far are we from the commercialization of most of these products in RCM?

Shishir Joshipura: RCM is still a program under development, so we've not reached the stage where we need to take the decision. You're right. It is one of the options that we'll have to consider, but we are still not at the stage where we need to take that decision. We are still in the development phase of the RCM.

Deepesh Agarwal: How far we can expect that decision?

Shishir Joshipura: I'm not able to put an exact timeline on that because as that a new development of a technology can take, although of course we do have internal timelines for that but we are not yet ready to come up with those to say okay on X date this will start. We're still far away from being exact date on that. We have a period of time in our mind to which our team is working.

Deepesh Agarwal: On the hydrogen, so draft hydrogen policy of Government of India advocates some 10% hydrogen procurement through biomass route by FY or CY30. Also, what is the opportunity for Praj in a biomass-based hydrogen?

Shishir Joshipura: Well, I think from what we can foresee right now there is a clear space for bio-hydrogen and I will take you back to a discussion, I was in yesterday where there is a professor from Brazil who was also my co-panelists and he has this beautiful model of ethanol molecule that he was showing. He said look here look at the number of hydrogen atoms on this molecule model that I'm showing you and therefore ethanol becomes a great carrier for hydrogen. That's one dimension that he mentioned and of course we all know ethanol comes from the biomass route so that's one dimension. There's also another dimension on the technology where we were discussing in a little different reference was around the CBG form so what happened that also is PH4 this was there are four molecules out there so we'll have to see what route gets developed but you are very correct. Biomass will have a very interesting role to play and we are very focused on making that happen because we are very-very what would I say working on leadership position for both the liquid as well as the gaseous route of the feedstock.

Deepesh Agarwal: What is the commercialization timeline for the bio-diesel or bio-marine fuel or bio-aviation fuel. In fact for aviation I guess US government has proposed some tax credit for bio-jet fuel for commercial airline, so how does this impact?

Shishir Joshipura: So, overall if you look at it, we have talked about the concept of Bio-Mobility. On three modes of transport Surface, Air and Marine, on surface we are obviously ethanol and CBG have a role to play and bio-diesel as well and we've talked about that. And obviously the others are the Air is now nearest to the commercialization I mentioned and you're probably aware we had mentioned it a few calls ago as well that we have entered into an agreement with a company called Gevo in United States which is a leader in the IBA to SAF route. In fact, I had also mentioned in my opening remarks today that we are actually building a plant for them which is a demonstration plant for them in United States. But they have also announced a large commercial scale project where we are also we're in discussion with them to say how to scale that up. That's on the engineering side of the business but on the process side of the business. Yes, we have also been as I had mentioned in my last call, we have also been part of this clean skies for tomorrow initiative with our client which was launched by World Economic Forum for India. Praj has been one of the contributing authors to the report that was submitted to the Ministry by World Economy Forum and the McKinsey and Company and we will see how the whole ecosystem develops. But very clearly, we understand that as we move forward because one of the purposes for SAF to grow is the fact that has to lead to reduction in the greenhouse gas emission and the CO2 footprint and very clearly the 2G sugar will have a very important role book to play to there as we move forward on the SAF part.

Moderator: The next question is from the line of Rajamohan Vaikuntaraman, an Individual Investor.

R. Vaikuntaraman: First I wanted to understand on the incremental 1,000 crore liters of ethanol capacity for achieving the 20% blend, you have indicated to about 350 crore liters from molasses and 650 from carbohydrates starch-based 2G ethanol. There are reports of the financial un-viability of the 2G ethanol plants with some figures quoting one plant costs Rs. 1000 crore versus Rs. 100-200 crore for a 1G and a gas-based plant. I wanted to understand whether it is true and has it seriously deterred investments?

Shishir Joshipura: That's a great question. Yes, 2G technology is very new, it's extremely new. There is no commercial skill plant in operation as of now. So, obviously it is on a different point on the development curve as compared to first generation ethanol which is there based on grain or sugary feedstock which is obviously has been there for many years so has the technology has matured there. The challenges are very different. The feedstock costs are very different by the way because there at one place you will use a feedstock which is agriculture residues and waste. So, the feedstock costs operatives can be different. Yes, today the 2G plants are much higher in capital outlay compared to 1G plant no question about it. But as I was mentioning the focus that we have on the technological development side is to see but at the same time because you use a very different feedstock, you're also able to create very different set of value propositions for 2G plants.

So, we are very focused on creating competitive byproduct strings or core product strings out of a 2G plant which will enable us to enhance the liability of the system. I think this is early days for 2G but there are different points to be considered and the first and foremost is the fact that a 2G plant has a 90% reduction in GHG footprint compared to conventional let us say crude oil-based system. That is the biggest plus point in favor of 2G that we're thinking. I was earlier mentioning about SAF taking a route through 2G and in time to come. The European regulations that are now expected around 2G, so 2G is going to be a very different set of governing parameters that will take it forward. Early days, right now, yes you are correct that the expenses are most, more private sector is currently rushing into putting up their capacities but we are also living in a world today at least I don't know for how long but today at least were we are paying no carbon tax. So, if it were to be a carbon tax the things could increase suddenly change very differently in favor of 2G. So, we'll have to see how the whole ecosystem develops. I think the new IPCC report will force a definitive thinking and actions from all dimensions of the value chain but we'll have to see how that develops but overall, you're right. The 2G technology will have a definitive role to play as we move forward.

R. Vaikuntaraman: So, overall on a say 2–3-year basis holistic basis you feel the cost benefit would tilt significantly towards 2G and with increasing private participation and it in a serious way for the next say 2-3 years?

Shishir Joshipura: I would not put 2 years as a timeframe for 2G is to change there are many changes and things can change. I mean I was just talking to somebody else yesterday and I said ‘okay’ so let's say 3 years ago I would have told you that we'll sit on a 1,000-crore capacity expansion for ethanol in India and you would have laughed at me saying what are you talking about? And that we've seen come to reality now. So, things could change. As I was mentioning there's a whole host of elements that have to align themselves, a new IPCC report. What governmental actions the proposed crop conference that is coming up in this winter. I think we'll have to see how the Paris commitments that have been made. I think we will have to see how the overall ecosystem develops for 2G, but 2 years it's probably a short period of time that it's maybe longer than that.

R. Vaikuntaraman: Coming to a CBG you have indicated to the entire ecosystem needing serious development and you'll be starting the process Badaun, Uttar Pradesh. You have also indicated to it being a 175,000-crore opportunity in its entirety by about say 2025-26 when the ethanol 20% blending gets accomplished, how much of this gas opportunity can seriously get generated on the ground for this 175,000-crore opportunity?

Shishir Joshipura: The 175,000-crore number came because if we have to set up 5,000 plants that's the number that we have to incur maybe more but not less. So, that's very clear. Will 5,000 plants come in what kind of timeframe? And in terms of feedstock availability etc. yes, it's a tick that yes, it's possible for us to put up 5,000 plants because there's enough and more of feedstock. It also addresses some of the other problems for example the winter smoke and smog problem in Delhi and other parts of India. Delhi of course the capital, so it gets focused but there are other parts of India which have equal or for the world for that matter with an equal problem. So, very clearly, we will have to see how the whole CBG system develops. But as I said maybe 24 months is the kind of timeline that we should see for this thing to kick up and start moving. We are as I said we have just the first plant that just got commissioned and it's not be on fully scaled up yet, but it's a pace commission is producing, the gas is being sold right now, if you drive down from Delhi to Dehradun or Muzaffarnagar you'll actually be able to buy CBG and fill your tank with it and people are doing it. They're finding it very beneficial because of its very high quality compared to even CNG. There are positive factors but I think we'll have to see this is just the first step. So, the baby is born, taken the first step, it's time for it to run to Olympics is still a couple of years away.

R. Vaikuntaraman: Next coming to the operating profit margin. You touched on it but need it slightly more granularity in terms of say from around 7.9% in the last abnormal quarter in terms of material cost increased. Based on pricing revisions which come with a lag by when, would you head back to see a double-digit operating margins and would it assume its leverage capability of yearly increased operating leverage capability I mean obviously increased offset 200 basis points on an annualized basis assuming under the assumption that material costs remain in a range?

Shishir Joshipura: On the operating margin definitely as I mentioned earlier also the efforts are on to see how best we can use the entire leveraging mechanism apart from other measures which we are trying to take to contain the impact of raw material prices which is happening. And there are multiple measures I mean a couple of them I have already mentioned but there are far more measures which we are right now taking. A couple of things which we also need to understand that currently because of the growth in the domestic market the component of domestic business is going to be little on the higher side, moment of our international revenue starts kicking in. We will see some kind of is on the margin side coming up one and second thing once the sizes of projects which are expected to go up in any case because the shift from the sugary feedstock to starchy feedstock. The component of the order book or the order size is also going to change and we will see a shift happening because of those majors on the margin in any case. As I said there are multiple measures which we are working on. Maybe it be standardization, maybe it be digitalization, maybe it be composite aggregation policy for the procurement, the vendor-based management, so there are multiple steps which we are right now taking.

R. Vaikuntaraman: So, broadly there'll be an operating leverage at play though I understand overall dynamics?

Sachin Raole: Yes, it'll be but please also try to understand what Shishir was mentioning in his earlier comment. We generally prepare for future. For example, today we are ready for taking care of the order book size of whatever is coming right now 2023 crore.

We are already preparing ourselves for the sustained growth in this order book going forward also. So, we are preparing ourselves on the manufacturing side, on the people's side, on the project side kind of a thing, so there is some kind of a preparation also going up.

Moderator: The next question is from the line of Aditya from APSK Advisors LLP.

Aditya: I just wanted to know that this order book that you have it's not grown at all quarter on quarter with the entire ethanol hullabaloo that's happening. How is it on the ground and how you going to increase the order book manifold, so that was the only question that I had?

Shishir Joshipura: So, there is a positive movement as is visible and we are as everything we are very focused. The focus is not only on gardening every single order that's available because we also have to be choosy about the complexity of the contract, our ability to serve the customer, the cost to serve, there bit different dimensions that come into our decision making. What we are very conscious about is also to ensure that we are able to manage and maintain our market share and the leadership position which is very important. At the same time, we also want to make sure that we don't I mean I can always run a rat race which is not what we want to do. We are very clear about improving the value for the customer, helping them understand this transition and the addition to the complete industry structure where Sachin was mentioning the grain as a feedstock, sugar syrup as a feedstock these are new feedstock that are walking in how do we manage them? What are the issues around those? How do we bring our experience to leverage for our customers wellbeing? Because I think those are what will be solid foundations because nothing less is expected from us by customers. If they give it to us, they say Yes please take care of all designs I know that you guys will do this. So, we'll have to make sure that we do this and do this in a very good and structured fashion and as I also said that the capacity creation will happen in line with the market demand. There's also market dynamics for ethanol demand. We don't need 1,000 crore liters today. That is not possible because the infrastructure doesn't exist to take care of that. I need to think in terms of the blending volumes, the depots, the logistics, distribution, vehicle population, there are many dimensions to it. As the demand starts to grow and the capacity buildup starts to grow up will be very actively playing part in it to ensure that we retain the share that we design our share to be.

Aditya: Actually, you see some Q3 FY21, Rs. 605 crore in your investor presentation and now we are on Q1 FY22 and it's just gone up by Rs. 55 crore. So, I mean it's been what so just Rs. 55 crore I mean considering all the Government pushes etc. so that's the only kind of thing that I had in my mind.

Shishir Joshipura: I think one quarter is less; there are dimensions to setting up project, right? If somebody has to put up, they need to get environmental clearances that take its own time. And without an EC base there's no point in finalizing a contract, because what can you do with it? You cannot do you cannot even start digging a pit. Customers have to get the EC clearances first. As we are mentioning the green story is now begin with understood and it's really expanded the base. There are states that are coming up with policies of how to permit setting up a grain-based ethanol plant. Several states have taken lead Madhya Pradesh, Bihar, Chhattisgarh to name a few. They have they are state level policies to attract investments on grain-based plants. There are different dimensions to this it's not so simple as saying alright let's put 1,000 crore liter tomorrow in one place and it'll be sold, it won't be.

Sachin Raole: And let's understand the order intake in this quarter was Rs. 661 and the order backlog is more than Rs. 2,000 crore. 2,000 crore is not the order intake for this quarter.

Shishir Joshipura: Every quarter, yes while there will be of course there's a big push right now for the ethanol, there are other businesses also which we are project in nature too. Sometimes in the fourth quarter of last year we also had other businesses contributing much more heavily, this year this quarter we have seen a much heavier contribution from the ethanol business. That probably will change again; change in the sense that whiles the ethanol will remain some other business will walk in with their order book as well. We'll have to see how for example December quarter there's a large order that with book from IOCL for ZLD system, that was a very large contract but those don't happen every quarter. They may happen once in 2-3 quarters, so we'll have to see how that mix also changes to that at our end.

Moderator: The next question is from the line of Yash Chaudhary from Param Capital.

Yash Chaudhary: You were mentioning about these significant orders that you have received from pharma company. Can you please throw some light on it and also the pilot projects that you were talking about in your commentary?

Shishir Joshipura: That we have received a very large order from a US multinational who is setting up a plant in India for a molecular cell process. That's a good one for us because once we set that up it'll open up doors for us to do similar facilities for others as well. That was about the pharma and the demonstration plant I was mentioning that we are building a demonstration plant for our collaboration with Gevo which will be set up in United States sustainable aviation fuel.

Moderator: The next question is from the line of Faisal Hawa from H. G. Hawa & Company.

Faisal Hawa: How much is the contribution to our revenue in this FY from products which were researched and developed only 3 years back or in the preceding 3 years that's one and going forward like 3 years hence what would be the revenue which would be coming from new products? And my second question is on management. Have we done any kind of hiring on upper-level basis where we can then facilitate the increasing execution that's coming into our company?

Shishir Joshipura: So, are you saying that have we hired senior resources for enabling execution, is that the question?

Faisal Hawa: Yes, very senior resources.

Shishir Joshipura: We have hired because one of course is to grow people from within but with the very quick expansion of the volume.

Faisal Hawa: Examples of 2 or 3 people that we have hired and from where they have hired them?

Shishir Joshipura: That I won't be able to tell you from where we've hired them that's not fair on my part but our HR does follow a very structured process of recruiting people. They can go and there are different media as you know, through social media recruitment, through websites, through consultants, through heads and that depends on what the situation is. For example, we have hired people on the technology side. We've hired people for project execution. We have hired people for engineers. We hired across the board. There is no one function where you said 'okay' this is the only one where I will hire and that's not the case. We have hired wherever it's necessary whether it's for business development in India or business development outside whether it is large project execution skills in India, public sector, there are many dimensions that we have got people working with us.

Faisal Hawa: About the new products which have contributed to revenue?

Shishir Joshipura: It's not so much of product sale for us because it is more projects in process engineering that we do. Of course, there are several processing solutions that we are giving just to give you an idea in one of our businesses we would say that almost 30% of our sales is coming from these new processes and solutions that we've introduced over the last 3 years. We have no plans to have any let up on that.

Moderator: Thank you ladies and gentlemen that was the last question. I now hand the conference over to the management for the closing comments.

Sandip Bhadkamkar: Thank you everyone for your time today. In case you have any more questions, please feel free to write us at info@praj.net and we will get back to you with answers. Thanks again for your time and have a nice day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Praj Industries Limited that concludes this conference. Thank you all for joining us and you may now disconnect.

Disclaimer - The following transcript has been edited for language and grammar; it however may not be a verbatim representation of the call.